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ABSTRACT

The Tennessee Higher Education Commission (THEC) is responsible for the annual development and adoption of specific policies and formulas for the equitable distribution of monies in the area of educational instruction and academic support, including libraries. Two formulas are applied to determine funding: Full-Time Equated (FTE) enrollment determines the funding needs of the organization based on number of full-time students, and Performance-Based Funding is based on the institution's ability to demonstrate improved standards of performance, measured through outcomes assessment such as student test scores and placement of graduates. Each of the formulas pose financial dilemmas for the Tennessee State University (TSU) library. While FTE may be equitable for funding classroom instruction, "half-time" students may require as many library resources as full-time students. Performance funding has little direct reference to the library's main mission, to provide the resources necessary for improving instructional quality. In addition, while the library was allocated a certain stated amount of funding in the annual TSU budget, the full sum is never received by the library, while other TSU departments receive the full funding allocated. A better job of "selling" the library is mandated. (Contains 10 references.) (SWC)

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PERFORMANCE FUNDING AND FULL-TIME EQUIVALENCE: IMPLICATIONS FOR FUNDING IN ACADEMIC LIBRARIES

BY

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Background

Legislation in 1967 was enacted which created the Tennessee Higher Education Commission (THEC). Among the responsibilities of THEC is the annual development and adoption of specific policies and formulae for an equitable distribution of education and general monies appropriated for the institutions falling under the purview of THEC. THEC revises annually the formula which will be utilized during that period as new methods and information are received. It is then evaluated by the Formula Review Task Force, composed of Commission staff and representatives from the institutions and governing boards. Beginning with Fiscal Year 1995-96, THEC is to analyze actual expenditures at each institution in relation to the amount appropriated through the designated formulae. As noted in Funding of Tennessee Higher Education, Appropriations Formula Academic Formula Units, FY 1995-96, the formula process centers on allocation of equal support for all institutions engaged in the same categories of activities, although differences in institutional roles and missions are taken into account. The determinations do not represent specific institutional budgets for particular activities, but are intended solely for the purpose of requesting and distributing appropriations. As the document cited above makes clear, the management of actual appropriations the responsibility of the individual institution and its governing board. Similarly, each institution specifies its expenditures through established accounting standards according to the purpose or function for which the funds are expended. Spending is focused in the areas of instruction and academic support, the latter category including the library. Just as the formula approach is taken in the area of instruction, so too do the funding needs of the library hinge on the type and size of the institution. The approach recommended is dependent on a rate per Full-time Equated (FTE) enrollment.

Full-time Equated (FTE) Enrollment

A large percentage of funding in higher education , including libraries, is driven by such formulae as Full-time Equated enrollment. The Tennessee Board of Regents (March 5, 1996), stated that if an institution is a university, FTE is the sum of the full-time equated undergraduate and full-time equated graduate/professional enrollments. One full-time equivalent is calculated on the basis of an undergraduate student enrolled in at least fifteen credit hours. One full-time equivalent for a graduate student is calculated on the basis of nine credit hours. The 1995-96 formulae included an initiative aimed at improving library expenditures toward that of average peer library expenditures. The rate is based on an analysis of library expenditures at peer institutions. One-half the necessary library rate adjustment was made using the new peers and setting the rate per FTE for Tennessee State University Library at $277.

Performance Funding

A second formula critical to funding in higher education is performance funding procedure. Performance funding was introduced by THEC in response to increasing state-wide interest in, and concerns about, the quality of education demonstrated by public institutions of higher learning in Tennessee. Educators, politicians, and lay persons joined forces to proclaim the importance of the accountability concept. This is yet another assessment approach, according to Ashworth (1994) whose predecessors were Management by Objectives, Zero-Based Budgeting, Program Planning Budgeting Systems, Total Quality Management, and Strategic Planning. Now in higher education the emphasis in on Performance-Based Funding. Public institutions of higher learning were to be encouraged to demonstrate the quality of education they delivered through outcomes assessment. The formula approach to performance funding includes a sum to be allocated to these institutions based on their ability to improve standards of performance. Up to 5.45% of appropriations are awarded to each institution based on a point system which utilized demonstrated accomplishment in ten performance areas: 1) Objective measurement of general education outcomes; 2) Major field tests; 3) Alumni and enrolled student surveys; 4) Accreditation; 5) Peer review of non-accreditable undergraduate programs; 6) Master's programs reviews; 7) Enrollment goals; 8) Student success; 9) Mission specific objectives, and 10) Improvement actions. All areas can receive up to a maximum of 10 points. Maximum funding for a perfect score would be approximately $2 million.

In the course of this presentation, these two funding formulae, Full-time Equate Enrollment (FTE) and Performance Funding, will be examined within the context of the Tennessee Board of Regents system. The aim is to determine what percentage of funds were allocated versus what was actually received by the libraries of four-year institutions, with special emphasis on Tennessee State University. It has long been the opinion of this presenter the libraries as a whole do not profit from these funds as they deserve. It is hoped that an exploration of who wields the actual authority, power and influence, how decision-making processes really transpire, and why funding is not necessarily awarded to areas most in need of assistance will illuminate budgetary allocation procedure as this impacts ongoing and expanding library operations and programs.

Budgetary Methods and the Library

According to Kehoe (1982), "the choice of a budgeting method is affected by the political arena, yet once a budgetary framework is chosen it may work to the relative advantage or disadvantage of various political actors and therefore shape the future political arena." The choice of a particular budgeting

method may restructure the incentive system which turn influence program coordination and effectiveness, targeting scarce resources to achieve specific institutional goals. However, Kehoe finds the downside of certain budget methods is that they may encourage "players," for example, departmental heads, to engage in "selling" their respective programs and projects. Educational lobbying and special interest groups and their "sales" ability seems to determine who brings home the grand prize. This competition exists not only between institutions, but occurs as well within the individual institution as each department seeks its share of a shrinking pie that is the available resource pool.

Pickens (1982) notes that funding for higher education has relied on quantitative measurements: student credit units, contract hours, faculty workload, or degrees conferred. The criteria revolved around how much, rather than how well, an institution or a department within an institution fulfilled its function. This method has been joined in Tennessee with a more qualitative approach: performance funding. Tennessee was the first state to introduce this criterion in funding public higher education. Banta and Fisher (1984) state that comprehensive program evaluation - programs monitored from the "setting of objectives through the allocation and utilization of resources for implementation, to measurement of outcomes related to the objectives . ." can offer evidence of quality vital to decision-making concerning "the identity of programs to emphasize, combine with others, or eliminate." But as Banta and Fisher point out, measuring instruments are costly and time-consuming to develop and, perhaps most importantly, often lack reliability and validity. As well, "too much emphasis is given to the use of scores on comprehensive tests as the principal indicator of achievement . . . and too little to the use opinion surveys and the overall plan for instructional improvement."

Each of the two budgetary methodologies have consequences for the library. McClure (1986) finds measuring cost to outcome is not always useful in measuring what can only be observed indirectly or subjectively. An example of the inherent difficulty may be found in library financing. The library may request monies to fund more technological databases, justifying the cost by indicating the it will: support the academic programs of the university, heighten the university's academic stature, enhance the mission and vision of the university, and assist in recruitment of students and staff. Yet because funding for this purpose cannot readily be translated into the formulae mandated by FTE and Performance Funding, library requests for the allocated monies may remain unfilled.

Levy (1986) details implications of performance funding for planning and resource allocation, including library services. Annual budget hearings for departments and colleges are the

vehicles for the evaluation of program accomplishments, opportunities, and limitations. During the hearings before such participants as the vice-president of academic affairs, vice-president for business and finance, and other central administrators, it is the responsibility of "academic departments and directors of major administrative/service units to outline the goals and objectives of their respective units, the relationships of those goals and objectives to the unit's and university's mission, the potential for achieving (or maintaining) excellence, and the associated resource requirements." Information obtained during the budget hearings determine how resource allocations will be distributed. Stress is placed on utilizing available resources to strengthen inadequate programs and to those programs deemed "capable of achieving true distinction or in need of such resources to maintain distinction." The campus wide assessment of student attitudes regarding the adequacy of programs and services also plays a role in budgetary decision-making. Ewell (1986) finds that a major problem of performance funding is the narrow definitions of performance used in Tennessee. "A reason for clearly separating funds for quality improvement from general formula-driven support is to allow funds of the former kind to be flexibly allocated as needs and opportunities arise. The clear, but narrow formulae used in Tennessee reduces flexibility." But an even greater obstacle is presented in how performance is to be defined. In most instances it is looked upon in terms of instructional effectiveness. A number of dimensions of educational outcomes are available to assess performance; none can assess all. Because of the wide range of potential coverage THEC criteria allows each institution to demonstrate its own strengths and how it will demonstrate its own strengths and how it will demonstrate each type of performance. However, "institutional choice with respect to the mechanics of measurement means there is a potential for abuse of the system." It may be pointed out that stress on instructional components as outlined by Ewell (1986), for example, knowledge outcomes (changes in cognitive learning; skills outcomes (changes in student abilities to perform particular functions or tasks; attitudes/value outcomes (affective changes occurring as a result of the college experience; and behavioral manifestations of the above revealed through such criteria as success after graduation, are difficult dimensions on which to base the role of the library as having been a significant part of the educational outcome. There is little on which to formulate a clear model of student output, library process, leading to an improved performance output. Grade point averages, improved test scores and similar mechanisms, direct instructional processes, are of little consequence in assessing the "real" value of library services and the securing of a fairer share of performance funding dollars.

Problems for the library arise as well in the area of FTE's. Rowntree (1986)explains full-time equivalent as a term used in

expressing the size of the student body (or teaching staff) of an educational institution, taking into account the fact that some may be part-timers. If, for example, a full-time student was expected to be given 25 hours of teaching per week, and a college had 100 part-time students who, between them, received 500 hours of teaching per week, those 100 students would count as 20 full-time equivalents. This formula approach operates quite will in funding instruction in the easily counted classroom setting. When the formula is transferred to library service, the model is not so neatly circumscribed. Part-time students may utilize library services to the same extent as full-timers. Who receives what services required what resources (library staff and materials) cannot be broken down into full-time versus part-time utilization.

The Tennessee Higher Education Commission states that funding needs for libraries depend on the type, as well as the size of the institution. The formula for libraries recommends a rate per FTE students as based on an analysis of library expenditures at peer institutions, the total population of SREB four-year institutions. Robinson and Robinson (1994) assert the such cost comparisons are of service to academic libraries, answering such strategic questions as: can another library do it better (more effectively) and/or in a less costly way (more efficiently)? if so, how do they manage to do it?, and can we manage our costs better,learn from peer libraries, and become more competitive, or eliminate a service or allow others to take it over? However, the cost-finding model considered from the vantage of peers cannot answer questions relating to quality of services. Nor do peer comparisons tend to underscore such data as characteristics of the clientele utilizing services. For example, some institutions may have a large population of remedial students who require large inputs of staff time for instruction in information-finding for themselves, that is, providing bibliographic instruction services. And some academic libraries are more deeply into the business of creating and maintaining expensive specialized online or CD-ROM databases then are others. Whether the library's scarce resources are being allocated to the right businesses in proper priority sequence is dependent on the individual library's mission and its institution's mission rather, in at least some instances, on that of peers.

"Selling" the Library as a Means of Increasing Allocations

Prabha and Ogden (1994) demonstrate that academic libraries have enjoyed an increasing level of budgetary support. "The near doubling of expenditures per library in ten years is evidence of a deep commitment to library resources. The critical issue for academic libraries and librarians, however, is that library expenditures have actually decreased with respect to the demands placed upon them by the constituencies they serve." While

growing in real terms, through such funding as those based on formulae set out by the THEC, the State's academic libraries are not keeping pace with increased financial complexities presented by new, expensive technologies, commitment to access and equity for an increasingly diverse student population with different needs and interests, and the stated mission of Tennessee State University to promote excellence in education. As Hayes and Brown (1994) stipulate, "the academic library is a part of a rapidly changing, complex world and change is the only financial constant." Schlechty and Cole (1991) point out that educational entities, including libraries, must "market" themselves in order to receive their fair share of shrinking institutional budgets. Support must be garnered from both the internal and external environments. In the instance of the TSU Library, it is apparent that such support has not been achieved. According to the Hefner letter (1993), the THEC, utilizing the Fall FTE X Rate formula, awarded TSU's library $1,421,985. In fact, the Library received only approximately $430,000 of these monies to purchase supplies, equipment, books, and periodicals. The difference is allocated to salaries, wages, and benefits. It may be noted that while the Library's funding was thus drastically slashed, other programs, including construction related to University plant, was ongoing and apparently fully funded.

In an older study, Baldridge (1971) defines universities as configurations of "social groups with basically different lifestyles and political interests." Each of these groups wants tohave an impact on organizational decisions and attempts to do so by participating in a multistage process that includes articulation of interests, efforts to get those interests translated into institutional policy, resolution of conflicting forces into an accepted policy, and implementation of the decisions that have been attained. Somewhere along this procedural route, the Library has failed to marked itself successfully. Nor has the library been able to cope with articulating its own policy preferences and mobilizing support to enforce its rightful demands on organizational decision-making. Divergent interests and conflict over scare resources are an enduring fact of academic life; in order to improve its chances for its fair share of the budget, the Library must more clearly articulate its vital role in the University's mission, use that role as a "bargaining chip" in the budget process, and build a strong coalition of supporters among students, University personnel, and library staff who recognize the value of the Library and its services.

Consequences of Inadequate Library Funding

Banta and Fisher (1989) have written extensively of Tennessee's utilization of performance funding for providing the opportunity to all postsecondary institutions to earn an annual budget supplement. As noted previously, this award is contingent

upon certain outcomes based on educational outcomes. The other major formula established by the THEC is FTE (Full-time Equivalency). Performance funding gives certain weights to the five criteria on which the supplement is dependent: accreditation, assessment of student achievement in the major field, assessment in achievement in general education, opinion surveys, and plan for instructional improvement. Banta and Fisher (1984) argue that departments and faculty will undertake to collect this myriad outcome data if "the institution recognizes and provides tangible rewards for demonstrating program quality and attempts to improve it." Even more importantly, "outcome information can become a highly valued consideration in planning decisions that result in improved resource allocation." This "ideal" concept of performance funding is frequently negated in the "real world" of budget planning and allocations. Pickens (1982) writes that there is often not enough consultation or too hurried a time for determining budgets. Indicators of performance may be inappropriate or lacking in objectivity. Robinson and Robinson (1994) find that the funding process in complicated by misunderstanding of the uniqueness of the academic library's mission, and how it does not accord neatly with performance measurements. This includes the wide range of products and services offered by the library and the many businesses the library is engaged in, for example, the provision of photocopying services and micro-computers, searches of the literature, and so forth. One problem for the Library and performance funding has to do with equity. If the existence of continuation of a program must depend on the degree to which it can be justified under the criteria of performance funding, students who utilize those programs which fail to live up to those criteria may suffer as a result. While the incentive structure of performance funding is such that department heads are given the opportunity to defend the worth of their programs and submit data to that effect, there are drawbacks. Educational results are difficult to relate to the library's mission and to the diverse clientele which is served in so many areas and activities. How does one "measure" performance in the instance of a student reading an educational journal, a professor specialized information in his field? Hayes and Brown (1994) state that while the library may be "the center of the campus, it is usually a very small part of the infrastructure and an even smaller part of the revenue generating stream." TSU's position is not then a rarity, but can be explained by the fact that, as noted by Hayes and Brown (1994), the influence and power of libraries have is related to "need, services, tradition, and customer satisfaction, but seldom comes from financial clout or centrality to the financial health of the parent institution." Financial decisions tend to come from outsiders who do not have the library in mind when "formulae" are established or in actually slicing up the "pie." Outside forces include accrediting organizations, accounting standards boards, professional organizations, and governmental entities that

control public institutions of higher learning.

It is perhaps not a case of the library being intentionally short-changed, but rather, because academic libraries have avoided the types of "public relations" that result in a new football stadium (as Nashville continue its effort to acquire the Houston Oilers), or due to the perception that the "vision" of library mission has never included financial management and relationships, the library loses out when monies are distributed.

Characteristics of Academic Libraries that Lead to Their Tendency to be Short-Changed in the Budgetary Process

As we have seen, monies which appear destined for the Library as a result of the THEC formulae and which appear in the formal budget, do not make their way into the Library's coffers. Hayes and Brown (1994) attribute this "fact-of-life" to the position of the library within the greater University community. 1) The library is part of a larger financial entity and not the final arbiter of its financial future. 2) The library administration constructs its budget with a view toward the idea that the amounts tentatively allocated them will be indeed received. Expenditures are tailored within these guidelines accordingly. But the ultimate financial decisions guiding the overall parent institution are not made by librarians, conversant with Library needs. Forces outside the Library have the greatest influence on Library finances. 3) Customers, whether students, faculty, or others, are seldom the final financial decision makers, allowing their needs and wants to become a primary factor. These decisions arise from University administrators and budget officers. Final distribution of funding may reflect overall goals and objectives but not those specifically held by the Library. As Rayward (1992) suggests, academic libraries have never garnered sufficient support from government and university administrations. Odden (1984) perceives methods of allocating funds for performance as posing vexing problems. While not discussed specifically, the issues raised are of import to the Library's existence. For example, a formula goal of the THEC Task Force is to provide an equitable distribution of available resources based on performance. The "business model" is thus applied to an educational institution in the way organizational performance is measured. Businesses of all types and sizes share one regularly reported, unambiguous, quantitative measure of performance - profitability. Nelson (1991) and Pickens (1982) share the view that by contrast, measuring the performance of an individual institution is "a decidedly more ambiguous, subtle, and long-term process." It is a process complicated by the fact that higher education is a continuum that involves more than one school, institutions with various missions, populations, needs and goals. While it is appropriate that performance be included in scrutiny of universities and colleges, "the practical problems of awarding monies on the basis of performance are imposing."

Nor are the judgment calls always fair, either to the institution or to every department within that entity.

Conclusions

Tennessee was the first state to utilize performance funding, providing public institutions of higher learning with income for educational results. The formula devised was in addition to FTE (Full-time Equivalency) which is also part of the overall budgetary structure. Each of the formulas pose financial dilemmas for TSU Library. While FTE may be a fair and equitable approach for funding classroom instruction, "half-time" students may well require as many library resources - materials, staff time, etc., as full-time students. Performance funding, based on such measures as test scores and placement of graduates, have little reference to the Library's direct mission, to provide the resources necessary for improving instructional quality. The Library's portion of such input is difficult to ascertain. Further, while the Library is allocated a certain stated amount of funding in the annual budget of TSU, the full sum is never actually received by the Library. While other departments and entities within the University community are fully funded, the Library, for reasons suggested earlier in this discussion is not. A better job of selling the Library is mandated.

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